

A conversation guide to premium finance

Is your client a good candidate for premium finance?

69% of Americans who feel in control of their lives are more likely to work with financial professionals and own life insurance.

Source: Whitman Insight Strategies, 2015.

High net worth clients need innovative, tax-efficient ways to protect, build, and transfer wealth. Life insurance is a powerful solution that can help these clients achieve their legacy-planning goals. Often these clients need substantial coverage to achieve their goals, but they may not want to liquidate assets to pay premiums. This is when commercial premium financing may be an ideal option.

Step 1: Qualification criteria

To qualify for coverage with premium financing, your client must have the following:

- \$250,000 minimum annual income, and
- \$2.5 million minimum net worth (age 50 and below), or
- \$5 million minimum net worth (age 51 and above)
- Must be a U.S. citizen or permanent resident

Premium affordability

Typically 20% to 40% of income or 20% of liquid assets can be used for insurance premiums. Lincoln will use the minimum annual level premium as acceptable premium affordability.

Step 2: Start the conversation

Is premium finance a good fit for individuals?

How you can help your clients decide if premium finance is a good fit for them? Here are a few questions to think about.

1. Does the client have enough liquidity to pay premiums or would they prefer to borrow money to pay premiums?
2. How much would be owed in taxes if the client had to liquidate assets to pay premiums?
3. Are they accustomed to borrowing? Do they like the idea of leveraging assets?
4. Review your client's retirement objectives, and ask:
Would you like to do more for your retirement?

Is premium finance a good fit for businesses?

Is the business looking for any one of these three things?

1. Cost efficiency
2. Leveraging productive assets
3. Employing capital for existing and future use

Nonrecourse premium financing is strictly prohibited.

Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

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Preauthorization criteria

Review the following questions. If any of the answers regarding your client's situation is "YES," Lincoln will not offer coverage with premium financing.

1. Is the loan arrangement for a term of less than three (3) years?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
2. Is the loan arrangement less than 100% secured?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
3. Is the borrower permitted to accrue loan interest and avoid current interest expense?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
4. Is the insured not a U.S. citizen or permanent resident?	<input type="checkbox"/> YES	<input type="checkbox"/> NO

What are the needs fulfilled on financed cases?



Estate planning

Liquidity concerns

Estate/state inheritance tax



Business planning

Buy sell



Retirement needs

Shortfall in current planning

For more information about premium financing strategies, contact Matt Wichman at MRW Financial. Local: 813-875-6331 or National: 800-967-7661

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Not FDIC-insured
Not insured by any federal government agency
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